

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner
Norma McKanna	Commissioner

In the Matter of the Application
of Northern States Power
Company's Gas Utility for
Authority to Change Its Schedule
of Gas Rates for Retail
Customers within the State of
Minnesota

ISSUE DATE: December 14, 1992

DOCKET NO. G-002/GR-92-1186

NOTICE AND ORDER FOR HEARING

PROCEDURAL HISTORY

I. Proceedings to Date

On November 2, 1992 Northern States Power Company's Gas Utility (NSP or the Company) filed a petition seeking a general rate increase of \$14,873,000, or 5.83%, effective January 1, 1993. On December 14, 1992 the Commission issued its Order Accepting Filing and Suspending Rates in the matter.

A copy of the Company's rate increase proposal is on file in the offices of the Department of Public Service, 121 7th Place East, Suite 200, St. Paul, Minnesota 55101-2145, and is open for public inspection during regular office hours.

Copies are also available for public inspection at the Company's office at 414 Nicollet Mall, Minneapolis, Minnesota 55401.

FINDINGS AND CONCLUSIONS

II. Jurisdiction and Referral for Contested Case Proceedings

The Commission has jurisdiction over proposed rate changes under Minn. Stat. § 216B.16 (1990). If the Commission is unable to resolve all significant issues regarding the reasonableness of the proposed rates on the basis of the filing itself, the Commission is to refer the matter to the Office of Administrative Hearings for contested case proceedings. Minn. Stat. § 216B.16, subd. 2 (1990).

The Commission finds that it cannot satisfactorily resolve all questions regarding the reasonableness of the proposed rates on the basis of the Company's filing. The Commission will therefore refer the matter to the Office of Administrative Hearings for contested case proceedings.

III. Proposed Rates

The Company proposes rate increases by customer class as follows:

<u>Customer Class/ Revenue Category</u>	<u>Present Rates (000)</u>	<u>Proposed Rates (000)</u>
Residential	\$153,851.2	\$164,481.7
Commercial/Industrial	72,393.6	76,193.6
Large General Service	3,238.5	3,280.0
Small Interruptible	10,414.4	10,727.2
Large Interruptible	11,860.2	11,860.2
Interdepartmental	49.5	49.5
Transportation	1,745.1	1,745.1
Late Payment	606.1	641.3
Service Charges	252.0	305.0
Miscellaneous	594.0	594.0
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Total Revenues ¹	\$255,004.6	\$269,877.6

The Commission has suspended the Company's proposed rates by separate Order. By further Order, the Commission will direct the Company to place an interim rate schedule into effect. Interim rates are subject to refund if the Commission ultimately orders a lower overall revenue increase than is recovered through interim rates. Minn. Stat. § 216B.16, subd. 3 (1990).

IV. Issues to be Addressed

Parties shall address the following issues in the course of the contested case proceedings ordered herein:

- (1) Is the test year revenue increase sought by the Company reasonable or will it result in unreasonable and excessive earnings by the Company?
- (2) Is the rate design proposed by the Company reasonable?

¹ This figure does not include local franchise fees, which are collected for local governments and do not affect net operating income.

- (3) Are the Company's proposed capital structure and return on equity reasonable?
- (4) Is the Company's proposal for implementing SFAS 106 reasonable?²
- (5) Is the Company's proposed treatment of carrying costs associated with its use of gas storage reasonable?

The parties may also raise and address other issues relevant to the Company's proposed rate increase.

V. Procedural Outline

A. Administrative Law Judge

The Administrative Law Judge assigned to this case is Allan W. Klein. His address and telephone number are as follows: Office of Administrative Hearings, Suite 1700, 100 Washington Square, Minneapolis, Minnesota 55401-2138; (612) 341-7609.

B. Hearing Procedure

Hearings in this matter will be conducted in accordance with the Administrative Procedure Act, Minn. Stat. §§ 14.57-14.62 (1990); the rules of the Office of Administrative Hearings, Minn. Rules, parts 1400.5100 to 1400.8400; and, to the extent that they are not superseded by those rules, the Commission's Rules of Practice and Procedure, Minn. Rules, parts 7830.0100 to 7830.4400. Copies of these rules and statutes may be purchased from the Print Communications Division of the Department of Administration, 117 University Avenue, St. Paul, Minnesota 55155; (612) 297-3000.

Under these rules parties may be represented by counsel, may appear on their own behalf, or may be represented by another person of their choice, unless otherwise prohibited as the unauthorized practice of law. They have the right to present evidence, conduct cross-examination, and make written and oral argument. Under Minn. Rules, part 1400.7000, they may obtain subpoenas to compel the attendance of witnesses and the production of documents.

² See, two Commission Orders: In the Matter of the Accounting and Ratemaking Effects of the Statement of Financial Accounting Standard No. 106, Docket No. U-999/CI-92-96, ORDER ADOPTING ACCOUNTING STANDARD AND ALLOWING DEFERRED ACCOUNTING (September 22, 1992) and ORDER DENYING PETITION FOR RECONSIDERATION, GRANTING IN PART AND DENYING IN PART PETITIONS FOR CLARIFICATION (November 2, 1992).

Any party intending to appear at the hearing must file a notice of appearance (Attachment A) with the Administrative Law Judge within 20 days of the date of this Notice and Order for Hearing. Failure to appear at the hearing may result in facts and issues being resolved against the party who fails to appear.

Parties should bring to the hearing all documents, records, and witnesses necessary to support their positions. They should take note that any material introduced into evidence may become public data unless a party objects and requests relief under Minn. Stat. § 14.60, subd. 2 (1990).

Any questions regarding discovery under Minn. Rules, parts 1400.6700 to 1400.6800 or informal disposition under Minn. Rules, part 1400.5900 should be directed to Margie Hendriksen, Special Assistant Attorney General, 121 7th Place East, Suite 350, St. Paul, Minnesota 55101-2147, (612) 296-0410.

The times, dates, and places of public and evidentiary hearings in this matter will be set by order of the Administrative Law Judge after consultation with the Commission and intervening parties.

C. Intervention

Persons wishing to become formal parties to this proceeding shall promptly file petitions to intervene with the Administrative Law Judge. They shall serve copies of such petitions on all current parties and on the Commission. Minn. Rules, part 1400.6200.

D. Prehearing Conference

A prehearing conference will be held in this matter on Friday, December 18, 1992 at 9:30 a.m. in the Large Hearing Room, Public Utilities Commission, 121 7th Place East, Suite 350, St. Paul, Minnesota 55101. It will be combined with the prehearing conference in the Company's electric rate case, which was filed the same day.³ Persons participating in the prehearing conference should be prepared to discuss the standard issues of time frames, scheduling, discovery procedures, and similar issues. They should also be prepared to discuss coordinating proceedings in the two rate cases.

Although the two cases will be tried separately, by separate Administrative Law Judges, the cases do involve some of the same issues, witnesses, customers, and parties. The two Administrative Law Judges have urged interested persons to

³ In the Matter of the Application of Northern States Power Company for Authority to Increase Its Rates for Electric Service in the State of Minnesota, Docket No. E-002/GR-92-1185.

consider ways of avoiding duplicative hearings and minimizing scheduling conflicts, such as holding joint public hearings and combining evidentiary hearings on specific issues. The Commission urges full cooperation with these efforts by all parties.

E. Time Constraints

The Commission is required to act on the Company's filing within ten months, or the proposed rates are deemed approved. Minn. Stat. § 216B.16, subd. 2 (1990). This ten-month period can be extended for two months, if the parties submit a settlement which is rejected by the Commission. Minn. Stat. § 216B.16, subd. 2 (1990).

The Commission asks the Office of Administrative Hearings to conduct contested case proceedings in light of these time constraints and requests that the Administrative Law Judge submit his final report by July 2, 1993, to allow the Commission adequate opportunity for thorough consideration of the case.

The Commission notes that the statutory deadline for the final Order in this case falls within 20 working days of the statutory deadline for the final Order in an earlier case filed under Minn. Stat. § 237.075 (1990).⁴ Assuming the earlier-filed case was complete on the date of filing (or before the date this case was filed), the Commission can extend the rate suspension period and Order deadline in this case by 20 working days, if necessary. Minn. Stat. § 216B.16, subd. 2 (b) (1990). Similarly, this case and the Company's general rate case for its electric utility were filed on the same day, making available, if necessary, another 20-working day extension. At this point it is unclear if either or both of these rate cases will require an extension of the standard 10-month rate suspension period.

VI. Application of Ethics in Government Act

The lobbying provisions of the Ethics in Government Act, Minn. Stat. §§ 10A.01 et seq. (1990), apply to general rate cases. Persons appearing in this proceeding may be subject to registration, reporting, and other requirements set forth in that Act. All persons appearing in this case are urged to refer to the Act and to contact the Minnesota Ethical Practices Board, telephone number (612) 296-1720, with any questions.

⁴ This complex filing by U S WEST Communications carries three docket numbers: P-421/EM-91-1002; P-421/EM-91-1000; P-421/EM-91-328. The filing was made October 30, 1992.

VII. Ex Parte Communications

Restrictions on ex parte communications with Commissioners and reporting requirements regarding such communications with Commission staff apply to this proceeding from the date of this Order. Those restrictions and reporting requirements are set forth at Minn. Rules, parts 7845.7300-7845.7400, which all parties are urged to consult.

ORDER

1. A contested case proceeding shall be held on the Company's proposed rate increase. The proceeding shall begin with a Prehearing Conference on Friday, December 18, 1992 at 9:30 a.m.
2. This Order will be served on the Company, which shall mail copies of the Order to all municipalities and counties in its service area and to such other persons as the Department of Public Service may request.
3. Public hearings shall be held in this matter at locations within the service area of the Company.
4. The Company shall give the following notices of the evidentiary and public hearings:
 - a) Individual written notice to each customer, which may be in the form of a bill insert, and shall be served at least ten days before the first day of hearings.
 - b) Written notice to the governing bodies of all municipalities and counties in the area affected and to all parties in the Company's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings.
 - c) Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within the Company's service area. These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading **RATE INCREASE NOTICE**, which heading shall appear in bold face type no smaller than 30 points.
 - d) The above notices shall contain the information required in Minn. Rules, part 7830.3200, subp. 2. The Company shall submit proposed notices for Commission

approval prior to publication or service.

5. The Commission authorizes the Executive Secretary to enter Orders on behalf of the Commission varying time requirements for the filing of pleadings and other documents and determining the conduct of this proceeding, according to the standards set forth in Minn. Rules, part 7830.4400. Any party adversely affected by such an Order may file a motion for reconsideration, vacation, or modification, no later than ten days from the date of its entry or one day before any filing deadline or occurrence of an act directed in such Order. Such motions will be heard by the Commission.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)

BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS
Suite 1700
100 Washington Square
Minneapolis, Minnesota 55401-2138

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 7th Place East Suite 350
St. Paul, Minnesota 55101-2145

In the Matter of the
Application of Northern States
Power Company's Gas Utility
for Authority to Change Its
Schedule of Gas Rates for
Retail Customers within the
State of Minnesota

MPUC Docket No. G-002/GR-92-
1186

OAH Docket No.

NOTICE OF APPEARANCE

Name and Telephone Number of Administrative Law Judge:

Allan W. Klein
(612) 341-7609

TO THE ADMINISTRATIVE LAW JUDGE:

You are advised that the party named below will appear at the
above hearing.

NAME OF PARTY:

ADDRESS:

TELEPHONE NUMBER:

PARTY'S ATTORNEY OR OTHER REPRESENTATIVE:

OFFICE ADDRESS:

TELEPHONE NUMBER:

SIGNATURE OF PARTY OR ATTORNEY: _____

DATE: _____